

1997-98 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance
(JC-Fi)

Sample:

- Record of Comm. Proceedings
- 97hrAC-EdR_RCP_pt01a
- 97hrAC-EdR_RCP_pt01b
- 97hrAC-EdR_RCP_pt02

- Appointments ... Appt
-
- Clearinghouse Rules ... CRule
-
- Committee Hearings ... CH
-
- Committee Reports ... CR
-
- Executive Sessions ... ES
-
- Hearing Records ... HR
-
- Miscellaneous ... Misc
- 97hr_JC-Fi_Misc_6-23-98 Mtg_pt05
- Record of Comm. Proceedings ... RCP
-

June 23, 1998

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Wisconsin Department of Transportation



Tommy G. Thompson
Governor

Charles H. Thompson
Secretary

OFFICE OF THE SECRETARY
P. O. Box 7910
Madison, WI 53707-7910

June 1, 1998

Senator Timothy Weeden
Joint Committee on Finance
1 East Main Street
P.O. Box 7882, Room 230
Madison, WI 53707-7882

JUN 01 1998

Representative John Gard
Joint Committee on Finance
State Capitol
P.O. Box 8952, Room 315 N
Madison, WI 53707-8952

Dear Senator Weeden and Representative Gard:

Summary of Request

Section 2485 of **Wisconsin Act 27** requires the Department of Transportation to submit to the Joint Committee on Finance for its review and approval proposed reductions in transportation fund appropriations equal to the amount requested as a transfer to match federal funds received for the purpose of capitalizing Wisconsin's Transportation Infrastructure Loan Program.

The Department requests that the Joint Committee on Finance reduce Appropriation 363 (State Highway Rehabilitation - state funds) in Fund 11 (Transportation Fund) by \$375,000 and increase Appropriation 251 (Transportation Infrastructure Loans - state funds) in fund 87 by a like amount in order to match the receipt of \$1,500,000 of federal funds. The transfer from Appropriation 363 to Appropriation 251 will occur in two parts -- \$250,000 in SFY 1998 and \$125,000 in SFY 1999 -- to mirror the distribution of federal funds.

Background of Request

Section 2485 of 1997 **Wisconsin Act 27** created the Wisconsin Transportation Infrastructure Program as s. 85.52 to mirror the Federal State Infrastructure Bank Program defined in P.L. 104-59, section 350. The Transportation Infrastructure Loan Program will make loans and provide other assistance to eligible applicants for highway projects and transit projects that are eligible under the federal program.

Eligible applicants include: a county, city, village, town or combination thereof, Amtrak, as defined in s. 85.061 (1), a railroad, as defined in s. 85.01 (5), a private nonprofit organization that is an eligible applicant under s. 85.22 (2) (am), or a transit commission created under s. 59.58 (2) or 66.943.

Wisconsin was successful in its request for federal funds to capitalize the state program and will receive \$1,000,000 in state fiscal year (SFY) 1998 and \$500,000 in SFY 1999. Receipt of the funds is contingent upon Wisconsin contributing match resources equal to 25% of the federal funds deposited. Matching funds required are \$250,000 in SFY 1998 and \$125,000 in SFY99 for a total request of \$375,000.

1997 Wisconsin Act 27 requires the Department of Transportation and the Department of Administration to promulgate rules necessary to implement the program. The rule was referred to the Senate Labor, Transportation & Financial Institutions Committee on February 10th, 1998 and to the Assembly Highway and Transportation Committee on February 11th, 1998. Having been approved by the legislature, the rule becomes effective July 1, 1998.

Full program implementation is expected once the authorization of federal and state resources is received. It is critical that implementation of the program remain on track and that at least one Infrastructure Loan Program project be under agreement before the end of the federal fiscal year (September 30th). The United States Department of Transportation has informed the Department that the \$1,500,000 of federal capitalization funds will be revoked and reallocated to other states if the deadline is not met. Approval of this request is a critical first step in ensuring that federal funds are not lost.

How the Request Meets Statutory Criteria

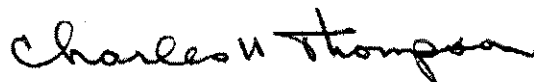
1997 Wisconsin Act 27 created a Transportation Infrastructure Loan Program within the Department of Transportation and further required the Department to submit to the Joint Committee on Finance requests for the approval of state fund transfers as necessary to match federal funds received. This request fulfills that requirement and is warranted given the possible loss of federal funds should program implementation be delayed.

Planned Activities

After approval of the request, the federal funds will be deposited in the Transportation Infrastructure Loan Program account so that interest begins to accrue immediately for Wisconsin. Program development activities will accelerate to allow the solicitation and approval of projects to begin shortly after the administrative rule becomes effective.

Thank you for your consideration. Sandy Beaupre, Director of the Office of Policy and Budget, (608) 266-7575, will be happy to provide any additional information the committee may require.

Sincerely,



Charles H. Thompson
Secretary



State of Wisconsin • DEPARTMENT OF REVENUE

125 SOUTH WEBSTER STREET • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX 608-266-5718

Tommy G. Thompson
Governor

Cate S. Zeuske
Secretary of Revenue

June 1, 1998

The Honorable Timothy Weeden, Co-Chair
The Honorable John Gard, Co-Chair
Members, Joint Committee on Finance
115 South Capitol
Madison, WI 53702

JUN 01 1998

Dear Senator Weeden and Representative Gard:

Summary of Request

The Department of Revenue requests \$130,600 SEG and .50 FTE SEG permanent position in FY99 for the appropriation under s. 20.566(1)(qm) to administer the rental vehicle fee under Subchapter XI of Chapter 77. The funding requested will be provided from the balance of the Transportation Fund. The funding identified in this request is for computer system development and the full operation of the rental vehicle fee program starting in FY99. Of the amount requested, \$30,900 SEG and .50 FTE SEG is requested as base level resources to continue into future fiscal years.

Background of Request

Beginning in April 1998, a 5% gross receipts fee was imposed on limousine rentals, and a 3% gross receipts fee was imposed on rentals of other types of vehicles. Payments of rental vehicle fees are expected to be made to DOR beginning in July 1998 for the quarter ending June 1998. DOR expects to utilize standard methods of collecting and ensuring compliance. This will require additional audit, compliance, processing, and applications development activity in the Income, Sales and Excise Taxes Division.

Ongoing activities required to administer the rental vehicle fees include the following:

1. Identification of persons subject to fees (customers) and provision of forms and instructions for registering customers and reporting fees.
2. Capture and computer storage of account and fee data reported by customers.
3. Collection and deposit of fees.
4. Determination of fee payment and reporting requirements and corresponding, billing or refunding to customers who are at variance with requirements.

5. Determination of correct fee liabilities through audit of taxpayer returns and records.

The Rental Vehicle Fee was authorized by 1997 Wisconsin Act 27 with the fee revenue going to the segregated Transportation Fund. However, no funding was provided to administer the collection of this fee in FY99.

General/Assumptions

A .50 FTE permanent position and an additional \$77,000 in contract programmer funding will be required for FY99. Contract programming staff is continuing from FY98 as previously authorized. The .50 FTE is assumed to begin June 21, 1998, the first payperiod of FY99.

Permanent salary costs are based on minimum in the 1998-99 pay plan for a Revenue Agent 3 position. One-time costs associated with the permanent position include \$4,900 for system furniture; \$500 for telephone, electrical and cable installation; and \$4,200 for a network PC. Ongoing costs associated with the permanent position include \$3,000 for space rent and \$900 for standard support costs such as telephone service, office supplies, training, and travel. On-going costs for the computer system are identified at \$6,000 for InfoTech charges.

A summary of administrative costs associated with rental vehicle fees is attached.

Computer System

A computer system to support the rental vehicle fees as an independent tax type is being developed from the existing exposition tax system. Registration, return processing, and adjustment notice generation functions, and interfaces with other systems are being developed as outlined in the startup requested submitted for FY98. Contract programmers are being used to develop the system. An additional \$77,000 (1,400 programmer hours at \$55 per hour) will be needed during FY99 to complete initial system development. Ongoing system maintenance will be performed by existing applications development staff. Existing applications development, computer operations, and revenue tax specialist staff will absorb other ongoing production, monitoring, technical support, training and consulting functions.

Additional InfoTech computer usage charges will be associated with the development and ongoing operation of the system. Development costs for FY99 are estimated at \$10,800 (9 months at \$1,200 per month). Ongoing system production costs are estimated at \$6,000 per year.

Technical Assistance to Taxpayers and Noncompliance

The requested .50 FTE Revenue Agent 3 permanent position is required to provide technical assistance on rental vehicle fees matters to taxpayers and their representatives. The primary focus of this activity will be on issues related to department adjustments. The position will assist taxpayers making inquiries about the notices, review customer responses, and update system account information based on those responses. The position will also provide technical assistance to other department employees so they can correctly perform their activities when they involve rental vehicle fees.

The position will also identify cases of noncompliance. One major activity will be development and execution of projects to identify and contact business entities that have either

failed to register or have failed to properly report gross receipts for rental vehicle fees. Another significant activity will be to analyze trends in reported rental vehicle gross receipts over time, compare reported rental vehicle gross receipts with reported general sales gross receipts, and investigate variations that may indicate underreporting.

Due to the small number of taxpayers, minor costs and other taxpayer compliance and audit activities will be absorbed within existing resources.

Taxpayer Base

When the Rental Vehicle Fees program was established, the assumed taxpayer base was set at 5,800 taxpayers. The 5,800 included all sales tax registrants that were assigned Standard Industrial Classification codes for motor vehicle dealers and automobile rentals.

However, actual application of the statutory requirements that establishments be primarily engaged in vehicle rentals and that the rental period be for 30 days or less, has severely reduced the number of estimated taxpayers to less than 200. These include 112 currently registered for the fee, plus a few additional limousine service providers. This smaller taxpayer base has significantly impacted program administrative costs, as indicated previously, and revenue potential for the program.

Of the 112 currently registered in the program, 79 are also registered for sales tax. Based on taxable receipts of these sellers, the average fee liability will be approximately \$52,250 per year, and the total revenue from all 79 will be \$4,127,750. The other 33 that are not registered for sales tax are limousine service providers. Each of these is expected to generate fees of roughly \$10,000 per year, for a total of \$330,000. The total for both groups is **\$4,457,750.**

Although some additional registrants are expected, exempting trucks from the fee may drop the average fee liability substantially below the estimate of \$52,250 per year. This revised estimate may be very optimistic.

How Request Meets Statutory Criteria

Section 13.101(4), Stats., provides that an agency may request a transfer from one agency's appropriation to another agency's appropriation within the same funding source. Approval of this request is critical to the effective operation of the rental vehicle fee program and necessary to fulfill the legislative intent for this program.

Sincerely,



Kathleen D. Heuer
Deputy Secretary of Revenue

Rental Vehicle/ Limousine Service Fees Administrative Costs

05/28/98

COST ITEM	NO. OF UNITS	UNIT COST	1998-99 COST	1999-00 COST
Permanent Salaries				
Technical Assistance				
Revenue Agent 3	0.50 FTE	14.833	\$15,400	\$15,400
Fringe Benefits @36.23%			\$5,600	\$5,600
One-Time Supporting Expenses				
Contract programming	1,400 hrs.	55	\$77,000	
Development InfoTech	9 mos.	1,200	10,800	
Rent (cont. prog.)	9 mos.	250	2,300	
Furniture, telephone	1.00 pos.	5,400	5,400	
Personal computer	1.00 pos.	4,200	4,200	
Total One-Time Supporting Expenses			\$99,700	\$0
Ongoing Supporting Expenses				
Production Infotech			\$6,000	\$6,000
Support Costs	1.00 pos.	900	900	900
Rent	1.00 pos.	3,000	3,000	3,000
Total Ongoing Supporting Expenses			\$9,900	\$9,900
Total Costs			\$130,600	\$30,900



State of Wisconsin
Department of Health and Family Services

Tommy G. Thompson, Governor
Joe Leca, Secretary



June 1, 1998

JUN 01 1998

The Honorable Tim Weeden
Senate Co-Chair, Joint Committee on Finance
1 East Main St., Room 230
Madison, WI 53702

The Honorable John Gard
Assembly Co-Chair, Joint Committee on Finance
Room 315 North, State Capitol
Madison, WI 53702

Dear Senator Weeden and Representative Gard:

Summary of Request

The Department of Health and Family Services (DHFS) requests a transfer of \$1,482,300 GPR in FY99 from s.20.435 (5)(b), the Medical Assistance Program Benefits appropriation, to s. 20.435(3)(cx), the Milwaukee Child Welfare Services appropriation. This funding will be used to provide services for parents in Milwaukee County whose children have been temporarily removed from their homes for child welfare reasons and placed in foster homes, and who become ineligible for Medical Assistance due to the removal of their children.

Background

As directed by the 1997-99 biennial budget, DHFS assumed the responsibility for the Milwaukee child protective services (CPS) system on January 1, 1998. In the child protective system a child is removed from his/her home if the child has been or is at substantial risk of being abused or neglected. The child is placed in an out-of-home setting such as foster care. Under the Department's administration of the Milwaukee CPS system, the parents of the children removed from the home are provided services based on an assessment of the parent(s)' needs. These services include mental health counseling, substance abuse counseling, parent education, home management skills, and other services. These services are designed to promote successful reunification of the child with the parent and to do so in as expeditious a manner as possible so as to minimize the length of time the child has to be in an

out-of-home setting. In addition, in cases where termination of parental rights (TPR) and adoption are in the best interests of the child, provision of services to the parents prior to TPR is necessary as the state is required to demonstrate to the court that it has made reasonable efforts to reunite the family.

In the 1997-99 biennial budget, the Joint Finance Committee (JFC) provided funding for services for parents in Milwaukee County whose children have been temporarily removed from their homes for child welfare reasons. A portion of this funding was placed in the MA appropriation on the assumption that a portion of the parents in these cases would be MA-eligible. In cases where the parent is an MA client, it is more cost-effective to provide these services through the MA program in order to leverage the federal matching funds.

At the time of the JFC action on the biennial budget, the Department believed, based on discussions held with federal officials prior to that point, that the Department could use the MA state plan amendment process to extend MA eligibility to parents whose children were temporarily removed from their homes. However, after the JFC action, the Department was informed by federal Health and Human Services officials that the Department must apply for and get approval of an MA waiver in order to extend MA eligibility to parents whose children are temporarily in out-of-home settings funded by federal IV-E funds, such as foster care. A waiver approval is a more complicated and lengthier process than a state plan amendment.

In January 1998, the Department submitted an MA waiver request to the federal government to address this issue (as part of the Department's waiver request for Badger Care). At that time, federal HHS officials indicated that they would respond to the Department's waiver request in the spring of 1998. Based on this information, in December 1997 the Department submitted and obtained JFC approval for a request to transfer funding from the MA appropriation to the Child Welfare appropriation for the period January through June 1998 to enable the Department to provide services to parents during the period the waiver request was pending.

In discussions with DHFS staff in late May 1998, federal HHS officials indicated that they need more time to review the Department's waiver request to extend MA eligibility to parents whose children are temporarily absent from their homes. Therefore, the Department is submitting this request to transfer another six months of funding to cover the period in which the federal government continues its review of the Department's waiver request.

Under the Department's assumption of Milwaukee CPS, every family with a child in out-of-home care is assigned a case manager. The case managers are responsible for accessing, coordinating and monitoring services for the family, including arranging for mental health, AODA, parenting, and other services needed by the parents. For the period January through June 1998 the Department has contracted with the case management agencies to arrange for the provision of services to the parents affected by the waiver request. The case management agencies are responsible for subcontracting with community social service, AODA, and mental health agencies to arrange for the provision of services. If the transfer of funds in this request is approved by JFC, the Department will revise the contracts with the case management

agencies to require them to continue to be responsible for the provision of services to these parents through December 1998 or until the Department's MA waiver request is approved, if it is approved prior to December.

By statute, funding in the MA appropriation can only be used for MA services for MA clients. Therefore, the funds in the MA appropriation cannot be used to fund the services for these parents until they become MA clients through the approval of the federal waiver. The Department is requesting that GPR funding allocated by JFC for this purpose be transferred from the MA appropriation to the Milwaukee Child Welfare appropriation so that services can be provided to these parents on a contractual basis as described above.

If the federal waiver is approved prior to the end of December 1998, the parents will be extended MA eligibility and any remaining funding that was transferred to the Milwaukee CPS appropriation for this purpose will be used as the GPR match for their services. This will ensure that services to these parents are provided in the most cost-effective way.

Calculation of Funding Request

The attached spreadsheet shows the calculation for the amount of funding in the Department's request. These calculations use the same methodology as that used for the December 1997 request.

The total amount of MA funding provided in the biennial budget for this purpose for FY99 is \$8,500,600 AF. Six months of funding equals \$4,250,300 AF. Of this six-month total, \$544,600 AF is budgeted for the cases where the child has been removed from the home and placed with a relative under the Kinship Care program, based on the December 1997 LFB assumption that 23% of the out-of-home placements are Kinship Care cases. The Department submitted an MA State plan amendment in March 1998 to enable these parents to retain their MA eligibility during the period the child is out of the home in Kinship Care. Therefore, the funding for Kinship Care cases will remain in the MA appropriation and these parents will receive their services through the MA HMO program.

The remaining amount of funding, \$3,705,700 AF was budgeted for cases where the child is removed from the home and placed in foster care. These parents will not be MA-eligible until the federal waiver is approved. The GPR share of this amount is \$1,482,300. The Department requests that this amount of funding be transferred from the MA appropriation, 20.435(5)(b), to the Milwaukee child welfare appropriation, 20.435 (3)(cx), to fund services for parents in Milwaukee County.

Based on the Legislative Fiscal Bureau assumptions (LFB paper #479) regarding the cost of funding services through the case management contractual approach and the budget assumptions regarding the number of Kinship Care cases, the total cost of providing services on a case management contractual basis from July-December 1998 to the set of parents affected by the waiver request is \$1,896,741. This is somewhat higher than the amount of GPR available to be transferred (\$1,482,300). The Department will issue guidance to the case

management agencies to fund services on a priority basis in order to stay within the available financial resources.

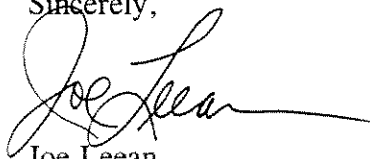
The requested transfer includes the funding placed in the MA appropriation that was intended to cover MA eligibility extension for cases outside of Milwaukee County. The Department finds it appropriate to include this funding in the transfer request for two reasons. First, MA eligibility cannot be extended to these parents until the federal waiver is approved. Therefore the funding budgeted for MA eligibility extension for non-Milwaukee parents cannot be used for this purpose. Second, the GPR cost per case of providing services to parents on a case management contractual basis is higher than under the MA approach because the contractual services must be funded 100% with GPR, rather than having a portion funded by federal funds as under MA. Therefore, including the funding that would have gone to funding MA eligibility in non-Milwaukee counties in the transfer request will provide a level of funding closer to the full amount of funding estimated to be needed to provide services on a case management contractual basis to these parents in the Milwaukee CPS system.

Statutory Criteria

This request meets the statutory criteria of an unforeseen emergency under s. 13.10 because in the absence of Joint Finance Committee action at this time there will be insufficient funding for services needed by parents in the Milwaukee Child Protective services system. The funding transferred by JFC in December 1997 for this purpose is projected to cover the period January through June 1998. Joint Finance Committee action is necessary at this time to ensure there is no disruption or termination of services to these parents after July 1, 1998. This request is unforeseen because the Department was not aware until May 1998 that the federal government would need additional time to review the Department's MA waiver request. The request is consistent with legislative intent which is to provide funding for services needed by parents in Milwaukee County whose children are temporarily in out-of-home placements for child welfare reasons.

Thank you for consideration of this request. I will be at the JFC meeting to represent the Department.

Sincerely,

A handwritten signature in dark ink, appearing to read "Joe Leean", with a stylized, flowing script.

Joe Leean
Secretary

MA Funding for Child Welfare Cases: FY99					
			Milwaukee	Non-Milw.	Total
Total MA Funding Budgeted			6,803,034	1,697,566	8,500,600
GPR	0.411525		2,799,619	698,591	
FED			4,003,416	998,975	
Six-months total MA funding budgeted			3,401,517	848,783	4,250,300
Total MA Funding for Cap. Rates			3,037,936	1,697,566	
Six-Month MA Funding for Cap. Rates			1,518,968	848,783	
MA Funding for Kinship Care Cap. Rates			349,363	195,220	\$ 544,583
% of funding accounted for by Kinship Cases			0.23	0.23	
MA Funding for Cases other than Kinship			\$ 3,052,155	\$ 653,563	\$ 3,705,717
GPR	0.411525		1,256,038	268,957	\$ 1,482,287
FED			\$ 1,796,117	\$ 384,605	\$ 2,223,430
Amount of Funding Estimated by LFB to			7,389,900		
provide all services on case mgmt.					
contractual services approach					
Amount of Funding for non-MA eligible			2,463,300		
adult in family (.5 adult/family)					
Amount of Remaining Funding			4,926,600		
% of Remaining Cases that are Kinship Cases			0.23		
Funding needed for Kinship Cases			1,133,118		
Amount of Funding Needed to provide services			3,793,482		
to out-of-home cases (excl. Kinship Cases)					
on case mgmt. contractual basis					
Six-months of funding			1,896,741		



Wisconsin Department of Transportation

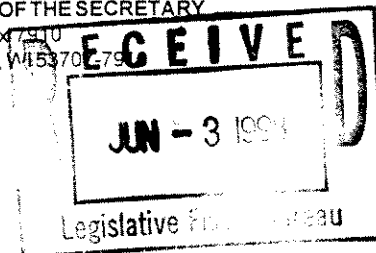
Tommy G. Thompson
Governor

Charles H. Thompson
Secretary

OFFICE OF THE SECRETARY
P. O. Box 7910
Madison, WI 53707-7910



JUN 03 1998



June 1, 1998

The Honorable Timothy Weeden, Co-Chair
Joint Committee on Finance
1 East Main Street, Room 230
Madison, WI 53707-7882

The Honorable John Gard, Co-Chair
Joint Committee on Finance
315-N Capitol
Madison, WI 53708-8952

Dear Senator Weeden and Representative Gard:

Summary of Request

The Department of Transportation requests an appropriation increase of \$425,200 to the Wisconsin Sesquicentennial Commission supplement as authorized under s.20.395(5)(qt).

Background of Request

Under current law, the Department of Transportation is providing and distributing special fund raising license plates for the Sesquicentennial Commission. The Commission receives the net proceeds from the sales of these plates (after department production and distribution costs are deducted).

As of March 31, 1998 the Commission had received approximately \$3,337,800 from the sale of plates. As a result of projected plate sales through the first quarter of FY 99, the Commission should receive an additional \$387,000 from the Department of Transportation.

Providing the requested funds are appropriated by the Joint Committee on Finance and based upon the authority under s.20.395(5)(qt) for the Wisconsin Sesquicentennial Commission supplement, the Secretary of Transportation will transfer these funds to the appropriation authorized under s.20.525 (1)(k) Wisconsin Sesquicentennial Commission; supplementing gifts, grants and transfers.

Statutory Provision

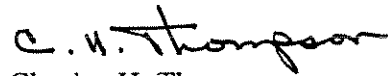
The legislature approved an amendment to the 1998 budget adjustment bill (Assembly Bill 768) which created an appropriation for the Sesquicentennial Commission in the

Department of Transportation. As noted in correspondence from Legislative Fiscal Bureau Director, Bob Lang (April 27, 1998) , "DOA indicates that the intention of this provision is for the Joint Committee on Finance to provide an amount in the new DOT appropriation that, when added to license plate revenue, would give the Sesquicentennial Commission a total of \$4,150,000." Based on revenues to date and projected revenues for the remaining quarters, \$425,200 should be provided in the DOT Wisconsin Sesquicentennial Commission supplement appropriation.

The Department requests the Joint Committee on Finance consider this request at its fourth quarter meeting for fiscal year 1998.

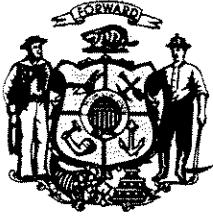
We will be happy to provide any additional information the committee may require. I will represent the department at the meeting.

Sincerely,

A handwritten signature in dark ink, appearing to read "C. H. Thompson". The signature is fluid and cursive, with the first name "C." and last name "Thompson" clearly distinguishable.

Charles H. Thompson
Secretary

CHT:ehg



TOMMY G. THOMPSON

**Governor
State of Wisconsin**

June 1, 1998

Mr. Charles R. Sanders, Assembly Chief Clerk
Wisconsin State Assembly
One East Main, Suite 402
P.O. Box 8952
Madison, WI 53707-8952

Dear Mr. Sanders:

RE: Stripper XVIII 1998 Oil Overcharge Plan

I am pleased to transmit my Stripper XVIII 1998 Oil Overcharge Plan for consideration by the Joint Committee on Finance (JCF) at the next s. 13.10, Wis. Stats., meeting. As required by s. 14.065, Wis. Stats., I am also forwarding a copy to the Chief Clerk of the Senate.

This Plan allocates \$1,590,426 (\$745,244 of new Stripper monies and \$845,182 of reallocated monies); helps low income citizens stay warm; develops Wisconsin's renewable energy resource base; makes our buildings and homes more energy efficient; protects the environment; and, educates our children regarding the wise use of energy. This Plan also modifies the Stripper XIV Small Business Energy Efficiency Program to make it accessible to more small businesses.

In addition to the JCF's action, the U.S. Department of Energy must also conduct a review to determine if Wisconsin's Plan conforms with Federal requirements and established definitions of restitution. The Department of Administration staff will be available to provide additional information that may be required. I appreciate your usual support.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tommy".

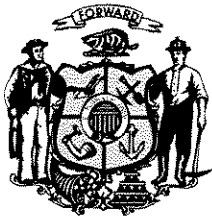
TOMMY G. THOMPSON
Governor

Enclosure

cc: Mark D. Bugher, Secretary
Department of Administration

Nathaniel E. Robinson, Administrator
Division of Energy and Intergovernmental Relations





TOMMY G. THOMPSON

**Governor
State of Wisconsin**

June 1, 1998

The Honorable Timothy Weeden, Co-Chair
Joint Committee on Finance
1 East Main Street, Suite 203
Madison, WI 53703

JUN 04 1998

The Honorable John Gard, Co-Chair
Joint Committee on Finance
State Capitol, Room 316 North
Madison, WI 53702

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Sincerely,


TOMMY G. THOMPSON
Governor

Enclosure

cc: Mark D. Bugher, Secretary
Department of Administration

Nathaniel E. Robinson, Administrator
Division of Energy and Intergovernmental Relations





TOMMY G. THOMPSON

**Governor
State of Wisconsin**

June 1, 1998

Mr. Donald J. Schneider, Senate Chief Clerk
Wisconsin State Senate
One East Main, Suite 402
P.O. Box 7882
Madison, WI 53707-7882

Dear Mr. Schneider:

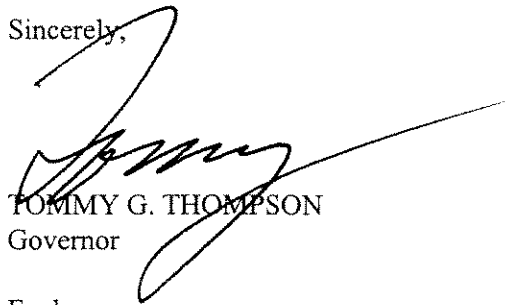
RE: Stripper XVIII 1998 Oil Overcharge Plan

I am pleased to transmit my Stripper XVIII 1998 Oil Overcharge Plan for consideration by the Joint Committee on Finance (JCF) at the next s. 13.10, Wis. Stats., meeting. As required by s. 14.065, Wis. Stats., I am also forwarding a copy to the Chief Clerk of the Assembly.

This Plan allocates \$1,590,426 (\$745,244 of new Stripper monies and \$845,182 of reallocated monies); helps low income citizens stay warm; develops Wisconsin's renewable energy resource base; makes our buildings and homes more energy efficient; protects the environment; and, educates our children regarding the wise use of energy. This Plan also modifies the Stripper XIV Small Business Energy Efficiency Program to make it accessible to more small businesses.

In addition to the JCF's action, the U.S. Department of Energy must also conduct a review to determine if Wisconsin's Plan conforms with Federal requirements and established definitions of restitution. The Department of Administration staff will be available to provide additional information that may be required. I appreciate your usual support.

Sincerely,



TOMMY G. THOMPSON
Governor

Enclosure

cc: Mark D. Bugher, Secretary
Department of Administration

Nathaniel E. Robinson, Administrator
Division of Energy and Intergovernmental Relations





State Historical Society of Wisconsin

816 State Street ♦ Madison, Wisconsin 53706-1488 ♦ 608/264-6400 ♦ Fax: 264-6404

June 1, 1998

TO: Senator Timothy Weeden, Senate Co-Chair
Representative John Gard, Assembly Co-Chair
Members of the Joint Committee on Finance

FROM: George Vogt, Director
State Historical Society

SUBJECT: Request to Create Two GPR Electronics Records Positions

Brief Summary of the Request

The Society requests the creation of two permanent GPR positions effective July 1, 1998, and supplementation of the appropriation under section 20.245(1)(a) by \$62,900 GPR in 1998-99 for an electronics records program.

Background of the Request

The State Archives, which is part of the State Historical Society, has statutory responsibility for identifying, preserving and making available all Wisconsin government records with long-term value (regardless of the format). Prior to the enactment of 1993 Wisconsin Act 257, the Society lacked resources to deal with these responsibilities for electronic records of state agencies. That legislation created a four-year pilot electronic records program in the Society beginning July 1, 1994, and ending June 30, 1998, to (a) assist state agencies plan archival management of their electronic records and (b) examine and evaluate options for, develop procedures for and develop by June 30, 1995, and annually update a comprehensive plan for the protection, preservation and accessibility of electronic records of permanent historical value.

Although still being prepared, the final project plan will include "findings" that:

- a. Electronic records are fundamentally different from paper records.
- b. Electronic records access depends on computer hardware, software and

- storage media that have short life spans and quickly become obsolete.
- c. Migrating historically valuable electronic information “forward” can be prohibitively expensive (and sometimes impossible) when existing records were not created with access and preservation in mind.
 - d. State agencies and local governments are requesting policies, technical standards, assistance and training to manage electronic records properly.
 - e. Assessment and preservation of electronic records requires an active archival program committed to dealing with today’s records, not just records which have accidentally survived.
 - f. An active electronic records program must include (1) an early assessment of the value of records, (2) the implementation of archives and records management capabilities into electronic records keeping systems and (3) the management of an archival repository (or repositories) that insure ongoing access to valuable electronic records.
 - g. The Society can assist state agencies and preserve and provide access to electronic records with historical value as long as it has ongoing resources.

Justification of the Request

Unlike information in a conventional paper format, computerized information is constantly changing to meet the needs of its creators and users. Information with long-term value can quickly be “lost” if retention and access procedures are not established at the start and as part of the operation of an information system. To prevent this loss and manage computerized records effectively, archivists and agency records managers have to work closely with agencies’ information specialists in the planning and design stages of new electronic systems. Because Wisconsin has already developed many important electronic systems without plans for archival management, there is a need to analyze existing electronic records and develop long-term preservation plans for them as well. In addition, an archival program for computerized records must provide secure storage for these records and a means of making them available to the public. To meet these responsibilities, the State Archives and state agencies must discuss alternatives for transferring electronic records with long-term value to the Society or preserving and maintaining them at the creating agencies.

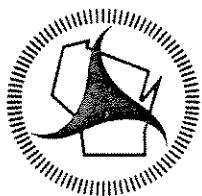
The importance of properly managing electronics records is illustrated by the abolition of the Sentencing Commission several years ago. Even though the Commission had accumulated more than a decade’s worth of information, the Commission’s computer files cannot be opened using any software operating

today in state offices because there was inadequate planning before the records were first created. As a result, the important resource represented by that information for analyzing trends in sentencing of convicts is not available today and in the future to decision makers. The establishment of an ongoing electronic records program would fulfill two basic purposes — making sure (a) historically important information is available in the future and (b) the state's investment in computer systems will yield that information without costly future investments.

The Society did not include a request to continue the project in its 1997-99 biennial budget request for two main reasons. First, the project was only half completed when that submission was made. Second, funding requested for the Society's presence in the Northern Great Lakes Center "used" about 75 percent of the 1997-98 target and 60 percent of the 1998-99 target figures for the Society from the State Budget Office in the development of that biennial budget bill. During the development of the 1998 budget adjustment bill, the Society worked with the executive and legislative branches to create an ongoing electronic records program. However, those efforts were not successful. Waiting until the 1999-2001 biennial development process would result in the loss of momentum from the pilot project. Although the Society considered the possibility of reallocating a position(s) to address electronic records issues, short staffing in the agency resulted in a decision not to propose a reallocation(s). The denial of this request would (a) result in the Society discontinuing its involvement with electronics records and (b) undoubtedly cause the loss of historically valuable information.

The four-year electronic records pilot project terminates at the end of this fiscal year. On July 1, the Society's (1)(d) appropriation specifically for that program will be repealed and the \$81,300 GPR for support of and the two authorized project positions for the pilot program will be terminated. In addition, section 44.095 of the Statutes, creating the pilot program, will no longer apply after June 30, 1998. The Society is making this request to continue the momentum of the four-year pilot program. The request assumes the creation of two permanent archival positions (i.e. an Archivist-Senior and an Archivist-Objective) at a total cost of \$51,900 for salary and fringes; \$5,000 of ongoing supplies and services support; and \$6,000 of one-time computer expenses. It is assumed the "new" positions could be filled by November 1, 1998, so the salary and fringe funding amount is only for eight months.

The Society will be represented at the meeting by myself and the State Archivist, Peter Gottlieb.



Wisconsin Department of Transportation



Tommy G. Thompson
Governor

Charles H. Thompson
Secretary

OFFICE OF THE SECRETARY
P. O. Box 7910
Madison, WI 53707-7910

June 1, 1998

The Honorable Timothy Weeden, Co-Chair
Joint Committee on Finance
1 East Main Street, Room 230
Madison, WI 53707-7882

The Honorable John Gard, Co-Chair
Joint Committee on Finance
315-N Capitol
Madison, WI 53708-8952

Dear Senator Weeden and Representative Gard:

Summary of Request

The Department of Transportation requests an appropriation increase of \$425,200 to the Wisconsin Sesquicentennial Commission supplement as authorized under s.20.395(5)(qt).

Background of Request

Under current law, the Department of Transportation is providing and distributing special fund raising license plates for the Sesquicentennial Commission. The Commission receives the net proceeds from the sales of these plates (after department production and distribution costs are deducted).

As of March 31, 1998 the Commission had received approximately \$3,337,800 from the sale of plates. As a result of projected plate sales through the first quarter of FY 99, the Commission should receive an additional \$387,000 from the Department of Transportation.

Providing the requested funds are appropriated by the Joint Committee on Finance and based upon the authority under s.20.395(5)(qt) for the Wisconsin Sesquicentennial Commission supplement, the Secretary of Transportation will transfer these funds to the appropriation authorized under s.20.525 (1)(k) Wisconsin Sesquicentennial Commission; supplementing gifts, grants and transfers.

Statutory Provision

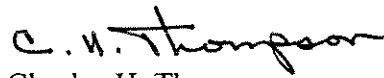
The legislature approved an amendment to the 1998 budget adjustment bill (Assembly Bill 768) which created an appropriation for the Sesquicentennial Commission in the

Department of Transportation. As noted in correspondence from Legislative Fiscal Bureau Director, Bob Lang (April 27, 1998) , "DOA indicates that the intention of this provision is for the Joint Committee on Finance to provide an amount in the new DOT appropriation that, when added to license plate revenue, would give the Sesquicentennial Commission a total of \$4,150,000." Based on revenues to date and projected revenues for the remaining quarters, \$425,200 should be provided in the DOT Wisconsin Sesquicentennial Commission supplement appropriation.

The Department requests the Joint Committee on Finance consider this request at its fourth quarter meeting for fiscal year 1998.

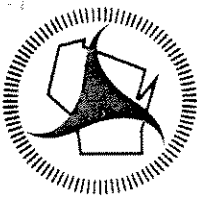
We will be happy to provide any additional information the committee may require. I will represent the department at the meeting.

Sincerely,

A handwritten signature in cursive script, appearing to read "C. H. Thompson".

Charles H. Thompson
Secretary

CHT:ehg



Wisconsin Department of Transportation



Tommy G. Thompson
Governor

Charles H. Thompson
Secretary

OFFICE OF THE SECRETARY
P. O. Box 7910
Madison, WI 53707-7910

June 1, 1998

Senator Timothy Weeden
Joint Committee on Finance
1 East Main Street
P.O. Box 7882, Room 230
Madison, WI 53707-7882

Representative John Gard
Joint Committee on Finance
State Capitol
P.O. Box 8952, Room 315 N
Madison, WI 53707-8952

Dear Senator Weeden and Representative Gard:

Summary of Request

Section 2485 of **Wisconsin Act 27** requires the Department of Transportation to submit to the Joint Committee on Finance for its review and approval proposed reductions in transportation fund appropriations equal to the amount requested as a transfer to match federal funds received for the purpose of capitalizing Wisconsin's Transportation Infrastructure Loan Program.

The Department requests that the Joint Committee on Finance reduce Appropriation 363 (State Highway Rehabilitation - state funds) in Fund 11 (Transportation Fund) by \$375,000 and increase Appropriation 251 (Transportation Infrastructure Loans - state funds) in fund 87 by a like amount in order to match the receipt of \$1,500,000 of federal funds. The transfer from Appropriation 363 to Appropriation 251 will occur in two parts -- \$250,000 in SFY 1998 and \$125,000 in SFY 1999 -- to mirror the distribution of federal funds.

Background of Request

Section 2485 of **1997 Wisconsin Act 27** created the Wisconsin Transportation Infrastructure Program as s. 85.52 to mirror the Federal State Infrastructure Bank Program defined in P.L. 104-59, section 350. The Transportation Infrastructure Loan Program will make loans and provide other assistance to eligible applicants for highway projects and transit projects that are eligible under the federal program.

Eligible applicants include: a county, city, village, town or combination thereof, Amtrak, as defined in s. 85.061 (1), a railroad, as defined in s.85.01 (5), a private nonprofit organization that is an eligible applicant under s. 85.22 (2) (am), or a transit commission created under s. 59.58 (2) or 66.943.

Wisconsin was successful in its request for federal funds to capitalize the state program and will receive \$1,000,000 in state fiscal year (SFY) 1998 and \$500,000 in SFY 1999. Receipt of the funds is contingent upon Wisconsin contributing match resources equal to 25% of the federal funds deposited. Matching funds required are \$250,000 in SFY 1998 and \$125,000 in SFY99 for a total request of \$375,000.

1997 Wisconsin Act 27 requires the Department of Transportation and the Department of Administration to promulgate rules necessary to implement the program. The rule was referred to the Senate Labor, Transportation & Financial Institutions Committee on February 10th, 1998 and to the Assembly Highway and Transportation Committee on February 11th, 1998. Having been approved by the legislature, the rule becomes effective July 1, 1998.

Full program implementation is expected once the authorization of federal and state resources is received. It is critical that implementation of the program remain on track and that at least one Infrastructure Loan Program project be under agreement before the end of the federal fiscal year (September 30th). The United States Department of Transportation has informed the Department that the \$1,500,000 of federal capitalization funds will be revoked and reallocated to other states if the deadline is not met. Approval of this request is a critical first step in ensuring that federal funds are not lost.

How the Request Meets Statutory Criteria

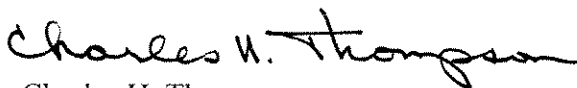
1997 Wisconsin Act 27 created a Transportation Infrastructure Loan Program within the Department of Transportation and further required the Department to submit to the Joint Committee on Finance requests for the approval of state fund transfers as necessary to match federal funds received. This request fulfills that requirement and is warranted given the possible loss of federal funds should program implementation be delayed.

Planned Activities

After approval of the request, the federal funds will be deposited in the Transportation Infrastructure Loan Program account so that interest begins to accrue immediately for Wisconsin. Program development activities will accelerate to allow the solicitation and approval of projects to begin shortly after the administrative rule becomes effective.

Thank you for your consideration. Sandy Beaupre, Director of the Office of Policy and Budget, (608) 266-7575, will be happy to provide any additional information the committee may require.

Sincerely,



Charles H. Thompson
Secretary



State of Wisconsin • DEPARTMENT OF REVENUE

125 SOUTH WEBSTER STREET • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX 608-266-5718

Tommy G. Thompson
Governor

Cate S. Zeuske
Secretary of Revenue

June 1, 1998

The Honorable Timothy Weeden, Co-Chair
The Honorable John Gard, Co-Chair
Members, Joint Committee on Finance
115 South Capitol
Madison, WI 53702

Dear Senator Weeden and Representative Gard:

Summary of Request

The Department of Revenue requests \$130,600 SEG and .50 FTE SEG permanent position in FY99 for the appropriation under s. 20.566(1)(qm) to administer the rental vehicle fee under Subchapter XI of Chapter 77. The funding requested will be provided from the balance of the Transportation Fund. The funding identified in this request is for computer system development and the full operation of the rental vehicle fee program starting in FY99. Of the amount requested, \$30,900 SEG and .50 FTE SEG is requested as base level resources to continue into future fiscal years.

Background of Request

Beginning in April 1998, a 5% gross receipts fee was imposed on limousine rentals, and a 3% gross receipts fee was imposed on rentals of other types of vehicles. Payments of rental vehicle fees are expected to be made to DOR beginning in July 1998 for the quarter ending June 1998. DOR expects to utilize standard methods of collecting and ensuring compliance. This will require additional audit, compliance, processing, and applications development activity in the Income, Sales and Excise Taxes Division.

Ongoing activities required to administer the rental vehicle fees include the following:

1. Identification of persons subject to fees (customers) and provision of forms and instructions for registering customers and reporting fees.
2. Capture and computer storage of account and fee data reported by customers.
3. Collection and deposit of fees.
4. Determination of fee payment and reporting requirements and corresponding, billing or refunding to customers who are at variance with requirements.

5. Determination of correct fee liabilities through audit of taxpayer returns and records.

The Rental Vehicle Fee was authorized by 1997 Wisconsin Act 27 with the fee revenue going to the segregated Transportation Fund. However, no funding was provided to administer the collection of this fee in FY99.

General/Assumptions

A .50 FTE permanent position and an additional \$77,000 in contract programmer funding will be required for FY99. Contract programming staff is continuing from FY98 as previously authorized. The .50 FTE is assumed to begin June 21, 1998, the first payperiod of FY99.

Permanent salary costs are based on minimum in the 1998-99 pay plan for a Revenue Agent 3 position. One-time costs associated with the permanent position include \$4,900 for system furniture; \$500 for telephone, electrical and cable installation; and \$4,200 for a network PC. Ongoing costs associated with the permanent position include \$3,000 for space rent and \$900 for standard support costs such as telephone service, office supplies, training, and travel. On-going costs for the computer system are identified at \$6,000 for InfoTech charges.

A summary of administrative costs associated with rental vehicle fees is attached.

Computer System

A computer system to support the rental vehicle fees as an independent tax type is being developed from the existing exposition tax system. Registration, return processing, and adjustment notice generation functions, and interfaces with other systems are being developed as outlined in the startup requested submitted for FY98. Contract programmers are being used to develop the system. An additional \$77,000 (1,400 programmer hours at \$55 per hour) will be needed during FY99 to complete initial system development. Ongoing system maintenance will be performed by existing applications development staff. Existing applications development, computer operations, and revenue tax specialist staff will absorb other ongoing production, monitoring, technical support, training and consulting functions.

Additional InfoTech computer usage charges will be associated with the development and ongoing operation of the system. Development costs for FY99 are estimated at \$10,800 (9 months at \$1,200 per month). Ongoing system production costs are estimated at \$6,000 per year.

Technical Assistance to Taxpayers and Noncompliance

The requested .50 FTE Revenue Agent 3 permanent position is required to provide technical assistance on rental vehicle fees matters to taxpayers and their representatives. The primary focus of this activity will be on issues related to department adjustments. The position will assist taxpayers making inquiries about the notices, review customer responses, and update system account information based on those responses. The position will also provide technical assistance to other department employees so they can correctly perform their activities when they involve rental vehicle fees.

The position will also identify cases of noncompliance. One major activity will be development and execution of projects to identify and contact business entities that have either

failed to register or have failed to properly report gross receipts for rental vehicle fees. Another significant activity will be to analyze trends in reported rental vehicle gross receipts over time, compare reported rental vehicle gross receipts with reported general sales gross receipts, and investigate variations that may indicate underreporting.

Due to the small number of taxpayers, minor costs and other taxpayer compliance and audit activities will be absorbed within existing resources.

Taxpayer Base

When the Rental Vehicle Fees program was established, the assumed taxpayer base was set at 5,800 taxpayers. The 5,800 included all sales tax registrants that were assigned Standard Industrial Classification codes for motor vehicle dealers and automobile rentals.

However, actual application of the statutory requirements that establishments be primarily engaged in vehicle rentals and that the rental period be for 30 days or less, has severely reduced the number of estimated taxpayers to less than 200. These include 112 currently registered for the fee, plus a few additional limousine service providers. This smaller taxpayer base has significantly impacted program administrative costs, as indicated previously, and revenue potential for the program.

Of the 112 currently registered in the program, 79 are also registered for sales tax. Based on taxable receipts of these sellers, the average fee liability will be approximately \$52,250 per year, and the total revenue from all 79 will be \$4,127,750. The other 33 that are not registered for sales tax are limousine service providers. Each of these is expected to generate fees of roughly \$10,000 per year, for a total of \$330,000. The total for both groups is **\$4,457,750.**

Although some additional registrants are expected, exempting trucks from the fee may drop the average fee liability substantially below the estimate of \$52,250 per year. This revised estimate may be very optimistic.

How Request Meets Statutory Criteria

Section 13.101(4), Stats., provides that an agency may request a transfer from one agency's appropriation to another agency's appropriation within the same funding source. Approval of this request is critical to the effective operation of the rental vehicle fee program and necessary to fulfill the legislative intent for this program.

Sincerely,



Kathleen D. Heuer
Deputy Secretary of Revenue

Rental Vehicle/ Limousine Service Fees Administrative Costs

05/28/98

COST ITEM	NO. OF UNITS	UNIT COST	1998-99 COST	1999-00 COST
Permanent Salaries				
Technical Assistance				
Revenue Agent 3	0.50 FTE	14.833	\$15,400	\$15,400
Fringe Benefits @36.23%			\$5,600	\$5,600
One-Time Supporting Expenses				
Contract programming	1,400 hrs.	55	\$77,000	
Development InfoTech	9 mos.	1,200	10,800	
Rent (cont. prog.)	9 mos.	250	2,300	
Furniture, telephone	1.00 pos.	5,400	5,400	
Personal computer	1.00 pos.	4,200	4,200	
Total One-Time Supporting Expenses			\$99,700	\$0
Ongoing Supporting Expenses				
Production Infotech			\$6,000	\$6,000
Support Costs	1.00 pos.	900	900	900
Rent	1.00 pos.	3,000	3,000	3,000
Total Ongoing Supporting Expenses			\$9,900	\$9,900
Total Costs			\$130,600	\$30,900

Tommy G. Thompson
Governor

Linda Stewart
Secretary



State of Wisconsin

Department of Workforce Development

OFFICE OF THE SECRETARY
201 East Washington Avenue
P.O. Box 7946
Madison, WI 53707-7946
Telephone: (608) 266-7552
Fax: (608) 266-1784
<http://www.dwd.state.wi.us/>

June 1, 1998

The Honorable Tim Weeden
Senate Chair, Joint Committee on Finance
119 Martin Luther King Jr. Boulevard, Lower Level 1
Madison, WI 53702

The Honorable John Gard
Assembly Chair, Joint Committee on Finance
315 North State Capitol
Madison, WI 53702

Dear Senator Weeden and Representative Gard:

The Department of Workforce Development (DWD) requests approval of the Joint Committee on Finance under s. 13.10 to transfer \$11,173,000 GPR in 1998-99 from the Committee's appropriation under s. 20.865(4)(a) to the Department's appropriation under s. 20.445(3)(a) for the operation of the data systems in support of the child support program. In addition, the Department requests the carryover of \$787,000 GPR from 1997-98 to 1998-99 in the appropriation under 20.435(3)(a), authorization for the use of \$695,700 in excess federal matching funds, and approval of 6.0 (2.04 GPR) new FTE project positions in the Bureau of Child Support to support the implementation of the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) and the operation of the KIDS system.

1997 Wisconsin Act 27 provided GPR funding of \$11,140,600 in 1997-98 and \$11,055,900 in 1998-99 for the development and operation of KIDS. However, the Joint Committee on Finance (JFC) placed one half of the GPR (\$5,570,300) for 1997-98 and all of the GPR for 1998-99 (\$11,055,900) in the Committee's appropriation. The Committee directed the Department to request release of the funds under s. 13.10 after the review of the system is completed by the Legislative Audit Bureau and additional information became available regarding mainframe charges and DWD's progress in completing welfare reform change orders. Act 27 also placed \$117,100 GPR in the Committee's appropriation in 1998-99 for the implementation of centralized receipt and disbursement (CRD) of child support collections.

In December 1997 the Committee approved the release of an additional \$5,231,800 GPR in 1997-98 for the development and operation of KIDS for the remainder of fiscal year. The balance of \$338,500 GPR remains in the Committee's appropriation. For 1998-99, the full amount of \$11,055,900 GPR provided for KIDS and the \$117,100 GPR for CRD also remains in the Committee's appropriation, for a total of \$11,173,000 in 1998-99 for the operation of child support data systems.



The Honorable Tim Weeden
The Honorable John Gard
June 1, 1998
Page 2

In the December s. 13.10 meeting, the Department was directed to provide the Committee with specific information from the LAB review related to the KIDS system. The Department provided the Committee a series of reports related to these items on May 15, 1998. These reports included efforts of the Department to (1) improve system processing efficiency; (2) change the level of DWD participation in KIDS; (3) provide for additional testing and training; (4) complete system certification, implement and operate the new hire reporting system and operate the unemployment benefit intercept program; (5) finalize county priority requests for KIDS enhancements; and (6) implement the CRD project.

One of the LAB recommendations was for the Department to dedicate \$1.25 million GPR that became available to the Department when enhanced 90% federal funding was received by the Department for costs previously paid at the regular 66% match rate. The Department proposes using \$695,700 of the excess federal funding (\$2,046,200 All Funds) in 1998-99 to address the county requests for KIDS enhancements. Counties have identified these projects as their top priority changes. The Department will request use of the remaining \$554,300 for additional KIDS changes in 1999-2000 in a separate correspondence.

On March 2, 1998, the federal Department of Health and Human services issued a notice of proposed rulemaking in which the proposed allocation of enhanced 80 percent federal funding approved in PRWORA was distributed to the states. Wisconsin's share of the funds amounted to \$8,162,828. Should this amount remain when the final rule is issued, the Department has through FFY 2001 to expend that amount of 80% funding on PRWORA changes. As the Department has not received final approval of its Advance Planning Document (APD) at this time, this request budgets only the DWD Bureau of Information Technology Services (BITS) and IBM staff time working on the PRWORA changes at the 80% federal match rate.

The Department currently projects GPR underspending for KIDS in 1997-98 of \$4,205,600 (\$1,038,600 GPR). The current estimate is that the Department will require total funding in 1998-99 of \$37,894,400 (\$12,655,700 GPR) for the operation of and further modifications to KIDS and for developing and operating the new hires and CRD systems in 1998-99. The total GPR funding budgeted 1998-99 for all child support systems is \$11,173,000 in 1998-99. With the use of \$695,700 of the \$1,250,000 excess federal funding in 1998-99, the difference between funding available and state funding need is \$787,000 (\$12,655,700 - \$11,173,000 - \$695,700). We request that the \$787,000 difference be transferred from the Department's funding available in 1997-98 to 1998-99. The balance of \$251,600 GPR would be lapsed to the general fund.

Attached is a chart detailing this s. 13.10 request. Providing the \$11,863,700 GPR and using the \$690,700 excess federal funding is projected to be sufficient to fully fund KIDS, CRD, and other automated child support systems in 1998-99. The balance of \$338,500 from 1997-98 would remain in the JFC's appropriation. Given the uncertainty in estimating the costs of large systems development and operation, we respectfully request that this amount not be committed for any other purposes.

The Honorable Tim Weeden
The Honorable John Gard
June 1, 1998
Page 3

Ms. Jean Rogers, Administrator for the Division of Economic Support, will represent the Department at the s. 13.10 meeting.

Sincerely,

A handwritten signature in cursive script that reads "Connie Hagen for". The signature is written in black ink and is positioned above the typed name "Linda Stewart".

Linda Stewart
Secretary

**KIDS BUDGET
SFY 99**

	Total	GPR	FFP
<u>BITS</u>			
Staff-BITS	1,457,800	495,700	962,100
Staff - Welfare Reform-BITS	777,500	155,500	622,000
Network Support - Fixed	830,900	282,500	548,400
Apps Development/Database Servers	353,100	120,100	233,000
Mainframe Activities	917,300	311,900	605,400
	\$4,336,600	\$1,365,700	\$2,970,900
<u>Contracts</u>			
Maintenance-IBM	3,683,200	1,252,300	2,430,900
County Priority Requests	2,046,200	695,700	1,350,500
PRWORA Requirements-IBM	2,660,100	532,000	2,128,100
Other Staffing Contracts	1,693,600	575,800	1,117,800
D&T Programming/KIDS modifications	0	0	0
	\$10,083,100	\$3,055,800	\$7,027,300
<u>PRWORA Projects</u>			
New Hire	1,387,400	471,700	915,700
Centralized R & D	6,205,000	2,109,700	4,095,300
W2/Welform Reform - Feeder Data Bases	1,377,800	498,000	879,800
	\$8,970,200	\$3,079,400	\$5,890,800
<u>DOA/Infotech</u>			
IT Main Frame	9,000,000	3,193,700	5,806,300
DOA Router Pro-rate	0	-	-
1-800 numbers	300,000	102,000	198,000
Telecommunications (IT Connectivity)	904,600	397,100	507,500
	\$10,204,600	\$3,692,800	\$6,511,800
<u>S&S</u>			
Capital/Installation/infrastructure upgrades	100,000	34,000	66,000
Centralized Mailing	1,708,900	581,000	1,127,900
Credit Bureau Reports	40,000	13,600	26,400
IT E-Mail	50,000	17,000	33,000
KIDS S&S	200,000	68,000	132,000
	\$2,098,900	\$713,600	\$1,385,300
<u>DES-Wide Costs</u>			
Contract Staff	39,100	13,300	25,800
Network Support - FTE	210,900	71,700	139,200
Maintenance	25,000	8,500	16,500
General S&S	1,926,000	654,900	1,271,100
	\$2,201,000	\$748,400	\$1,452,600
Total KIDS	\$37,894,400	\$12,655,700	\$25,238,700
SFY 99 KIDS Budget in JFC	\$30,547,200	\$11,055,900	19,491,300
SFY 99 CR&D Funding in JFC		\$117,100	
Excess Fed Funds		\$695,700	
SFY 98 GPR Carryover		\$787,000	
Total Funds Available		\$12,655,700	



STATE OF WISCONSIN

Department of Employee Trust Funds

Eric O. Stanchfield

Secretary

801 West Badger Road

P.O. Box 7931

Madison, WI 53707-7931

June 1, 1998

In Reply Refer To:

HONORABLE SENATOR TIMOTHY WEEDEN
HONORABLE REPRESENTATIVE JOHN GARD
CO-CHAIRS, JOINT COMMITTEE ON FINANCE
STATE CAPITOL
MADISON WI 53702

Subject: Section 13.101 Request From the Department of Employee Trust Funds For
Resources Necessary to Apply the Supreme Court's Decision in *Coutts v.*
Wisconsin Retirement Board

Dear Senator Weedon and Representative Gard:

On behalf of the Wisconsin Retirement Board (WR) and the Department of Employee Trust Funds (Department), I am requesting that the Joint Committee on Finance approve \$ 130,500 SEG for costs associated with review and recomputation of up to 675 benefits being paid under §40.65, Wis. Stats., the "Duty Disability" program. This action is necessary in order to bring the administration of these benefits into harmony with the Supreme Court's decision in the *Coutts v. WRB*¹ case. A complete summary of this decision may be found in Attachment 1.

Background

In 1982, the Legislature created §40.65, Wis. Stats., establishing a new duty disability program to replace the protective occupation disability program then existent under §66.191, Wis. Stats. The new program was designed to:

1. Provide for prefunding the program and the sharing of risk with a fund supported by contributions from all employers of protective occupation participants and administered by the Department of Employee Trust Funds.
2. Ensure adequate benefit levels by raising the percentage of income replacement and instituting inflation protection via an annual benefit increase based on the average salary increase paid to protective occupation participants (salary indexing).
3. Ensure that duty disability payments would not result in some beneficiaries receiving more income than they would have earned while working by reducing those benefits levels by

¹ *Coutts v. Wisconsin Retirement Bd.*, 209 Wis. 2d 655; 562 N.W.2d 917(1997)

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other sources of income, including worker's compensation, employment, retirement pensions, social security, etc.

The provision made the new program under §40.65, Wis. Stats., radically different than the predecessor program. The Department developed its administrative practices based on its best interpretation of the Legislature's intent. These procedures included paying benefits retroactively to the date of disability and offsetting any worker's compensation benefits paid or payable to the disabled employee and related to the same disability that qualified the employee for §40.65 benefits.

In May of 1997 the Wisconsin Supreme Court issued its decision in the Coutts case. The Court affirmed the Court of Appeals decision that §40.65, Wis. Stats., does not authorize the reduction of duty disability benefits by worker's compensation awards paid prior to the duty disability effective date and that duty disability benefits are not retroactive. The Supreme Court gave no weight to the way the Department had administered the program since its creation in 1982.

As a result, the Department has determined that a review of all of current duty disability cases must be completed to identify the correct effective date and proper adjustment of §40.65 benefits paid to the recipients for periods of time after that date. This will include offsets for not only worker's compensation, but all other sources of income. The Department is finalizing the promulgation of administrative rules interpreting these provisions and codifying these new administrative practices.

Justification for S. 13.101 Action

The Court's action dealt only with the benefits of the plaintiff duty disability recipient (Coutts) and in a companion case, DesJarlais v. Wis. Retirement Board (see Attachment 1). The Department believes that this decision must also be applied to all duty disability annuitants and beneficiaries who receive or received benefits under §40.65, Wis. Stats. Several other §40.65 recipients have already contacted the Department and requested an adjustment to their benefits. Staff estimate that adjustments will range from -\$5,000 to +\$30,000 for each benefit that is affected.

The Court's decision has resulted in a situation where some individuals may not be receiving the benefits due them, and others now appear to owe substantial amounts to the fund. The Department has been unable to adjust these benefits because we lack sufficient staff to complete the complicated review and adjustment process. Further delay in applying the decision and correcting those accounts will cause undue hardship to the affected individuals, and could subject the Department and the fund to further costly litigation.

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Proposed Corrective Action

The Department has completed the review and adjustment to the Coutts case and three other cases that had been appealed through the WR Board. The remaining 675 cases must be reviewed and recalculated. We estimate that based on the reviews already performed, each case will take 10 hours to complete. The detailed costs of staff and related resources necessary to complete these processes are identified in Attachment 2. Attachment 3 summarizes the review processes and details an example of a typical case. The Department plans to absorb the supervisory time, the time required to audit the recalculations of these cases and the expense associated with any resulting appeals. We are unable to absorb the estimated 6,750 hours of staff work for the reviews and recalculations themselves, however.

Even with the additional staff, some work associated with the reviews will extend beyond June 30, 1999. Therefore, to complete this process and accommodate the rapidly growing workload of this program, the Department will request additional resources as part of the regular 1999-2001 biennial budget request.

Summary

The proposed project will involve notification of all duty disability annuitants and beneficiaries about the decision and its implementation; staffing the project and preparation of correspondence; training of project staff on the program and review requirements; and the review of individual cases including refunds, adjustment to benefit levels and refunds as appropriate. This will also include handling questions from the affected individuals or their representatives, auditing of calculations and any resulting appeals.

Thank you for your consideration of this request. I have asked Tom Korpady, Administrator of the Division of Insurance Services and Robert Weber, Chief Counsel, to present this request to the Committee and answer any questions that you may have.

Sincerely,



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Attachment 1

SUMMARY OF THE IMPACT OF THE SUPREME COURT DECISION IN COUTTS

This attachment provides a brief summary of the impact of the Coutts decision. The Department can provide a more detailed analysis of the case, if necessary.

In May 1997, the Wisconsin Supreme Court affirmed the reported 1996 Court of Appeals decision in the *Coutts* and *DesJarlais* cases. See *Coutts v. Wisconsin Retirement Bd.*, 209 Wis. 2d 655; 562 N.W.2d 917 affirming *Coutts v. Wisconsin Retirement Bd.*, 201 Wis. 2d 178, 547 N.W.2d 821 (Ct. App. 1996). The final decision requires the Department to change several of its practices in administering duty disability benefits under Wis. Stat. § 40.65.

1. **The Department must revise its procedures for reducing duty disability benefits and stop reducing duty disability benefits to offset other benefits and earnings previously paid.** Duty disability benefits must be reduced by earnings and specified benefits "payable" to the participant. See Wis. Stat. § 40.65 (5)(b) 1. to 6. The Supreme Court ruled that the term "payable" does not include benefits paid in the past.

These definitions demonstrate that the term "payable" refers to sums presently owing or to be remitted in the future. The definitions do not support the proposition that the word "payable" includes sums that have been remitted in the past. It is axiomatic that a sum which is "paid" is no longer "payable." We therefore conclude that § 40.65(5)(b)3 is unambiguous, and does not authorize the Board to reduce § 40.65 duty disability benefits with worker's compensation benefits paid prior to the commencement of duty disability benefits.

Coutts, 562 N.W.2d 917 at 923 (1997).

2. **The Department must not "bank" any offsets, but is limited to reducing duty disability benefits for the specific month.** When an individual is receiving offsetting benefits, only the benefits paid while the individual was also eligible for payment of monthly duty disability benefits may be offset against the duty disability benefits. The prior practice of offsetting the entire worker's compensation award over time, is not lawful. The Supreme Court affirmed the Court of Appeals decision, which had explained:

... if the combined amount of other earnings or benefits exceeds the monthly duty disability benefit payment, that participant will not receive a monthly duty disability payment and the WRB may not carry forward or "bank" the excess amount and deduct it from the participant's next month's duty disability benefit payment. ...

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Coutts, 547 N.W.2d 821 at 826 (Ct. App. 1996). See also the repetition of this injunction. *Ibid.*, at 828.

3. **Duty disability benefits are not retroactive.** The courts said that, contrary to the the Department's previous practice, duty disability benefits are not retroactive. The Supreme Court stated:

... As the court of appeals noted, the participant who waits to apply for duty disability benefits gives up the opportunity to receive those benefits in the interim. *Coutts*, 201 Wis. 2d at 193. Thus, it appears that an injured employee has an incentive to apply for duty disability benefits without delay.

Coutts, 562 N.W.2d 917 at 925 (1997) [*emphasis added*]. See also the Court of Appeals decision, *Coutts*, 547 N.W.2d at 827 (Ct. App. 1996).

4. **All workers' compensation benefits are to be offset.** The Department's prior practice of not reducing § 40.65 benefits by offsetting workers' compensation benefits **unrelated** to the disability for which duty disability benefits were being paid is inconsistent with the statute. The Court of Appeals rejected the practice, stating:

... While the WRB reads § 40.65(5)(b)3, STATS., as limiting the reduction for worker's compensation paid to a participant which relates to the same disability, that limitation cannot be found in the statutory language. Section 40.65(5)(b)3 provides a reduction for "[a]ny worker's compensation benefit payable to the participant, including payments made pursuant to a compromise settlement...." There is no language in this statute which indicates that the worker's compensation must be for a related disability.

Coutts, 547 N.W.2d at 826 (Ct. App. 1996). The Supreme Court affirmed the Court of Appeals decision, without commenting on this issue.

5. **The Department should promulgate rules to clearly establish the policies for administering duty disability benefits.** Rule-making is essential in light of the standard of review applied by the Supreme Court. The Supreme Court treated the *Coutts* and *DesJarlais* cases as matters of first impression and gave no weight to the way the Wisconsin Retirement Board and the Department had handled offsets for years. As the Supreme Court noted:

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For purposes of the instant case, the Administrative Code is devoid of rules interpreting the phrase "any worker's compensation benefit payable," and there is no evidence in the record that the Board has ever considered whether § 40.65 (5)(b)3 compels an offset of previously paid worker's compensation benefits against presently payable duty disability benefits. ...

Coutts, 562 N.W.2d 917 at 921-2 (1997).

Rule-making to implement the *Coutts* decision and to codify other aspects of the administration of duty disability benefits is now at the final draft report stage. See Clearinghouse Rule #98-050.

Attachment 2**DUTY DISABILITY PROJECT BUDGET SUMMARY**

Description	Budget – FY99
Salary for 3.0 FTE Trust Funds Specialist – 1 Project positions	\$ 73,110
Fringe Benefits (35.72%)	\$ 26,090
Rent	\$ 4,500
Telephone, Long Distance, Voice Mail	\$ 1,000
Office Supplies, Printing and Postage	\$ 7,200
One-Time Costs: 3 Computers and Monitors, Furniture, Chairs	\$ 18,000
File Retrieval from DWD	\$ 700
Total Personnel, Supplies and Services	\$ 130,500

OVERVIEW OF DUTY DISABILITY PROJECT PROCESSES

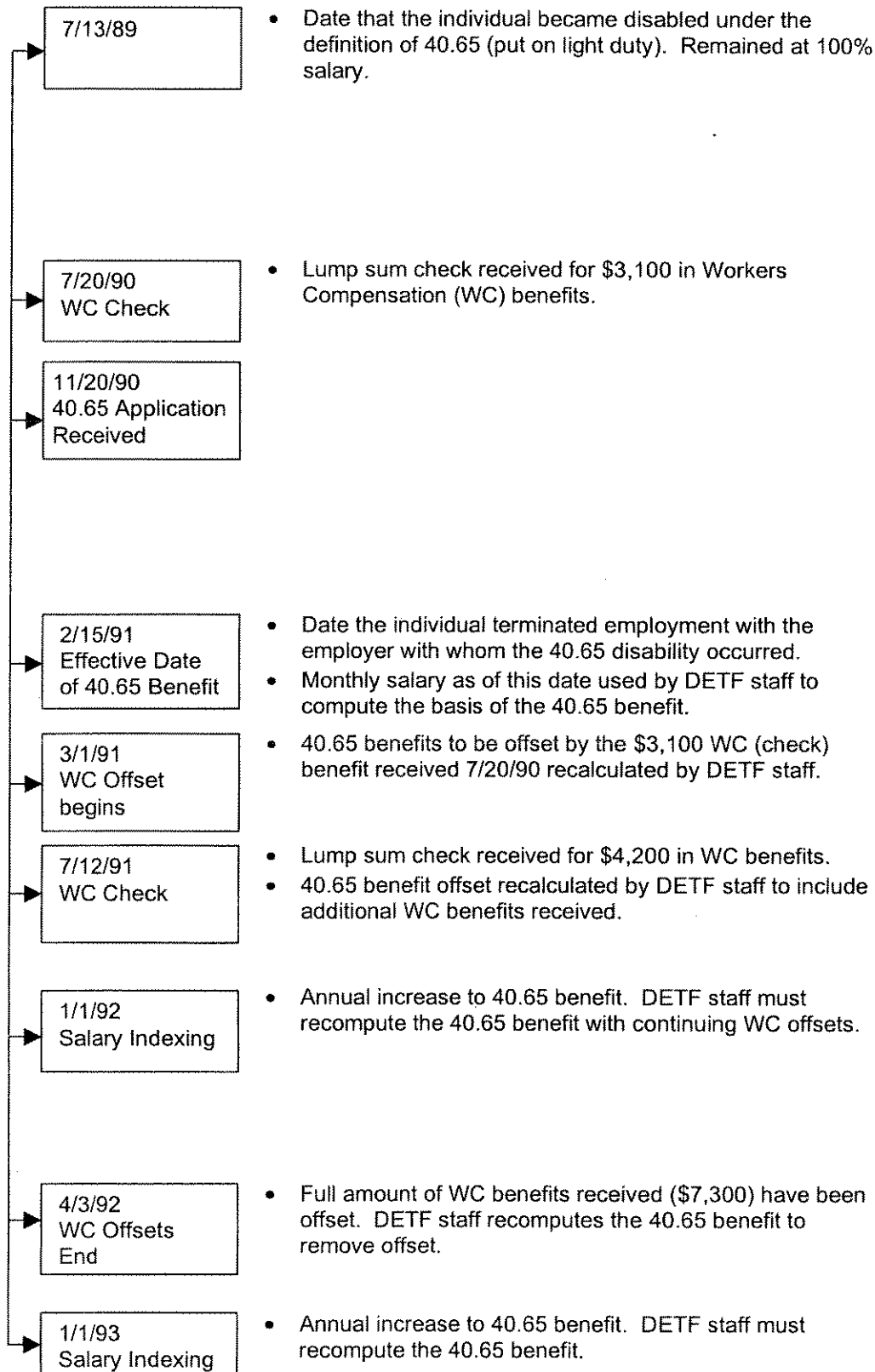
Of the 675 cases requiring review and recalculation, 330 of these cases were adjudicated by the Department of Workforce Development prior to the changes in the program created in 1987 Wisconsin Act 363. These cases will require additional steps to obtain the DWD 40.65 files in order to complete the reviews.

All cases will require the following be completed:

- Review file to determine if the effective date of the duty disability benefit must be revised
- Review file for other sources of income and verify paid (check) date
- Obtain and review worker's compensation records from DWD
- Contact employers to obtain monthly salary on the qualifying date
- Recompute benefit including application of annual salary indexing
- Recompute any offsets
- Obtain and compute benefit payments already completed
- Determine the difference(s) in benefit level and payments
- Issue check or determine overpayment amount and withhold benefits
- Respond to questions and/or appeals of affected benefit recipients

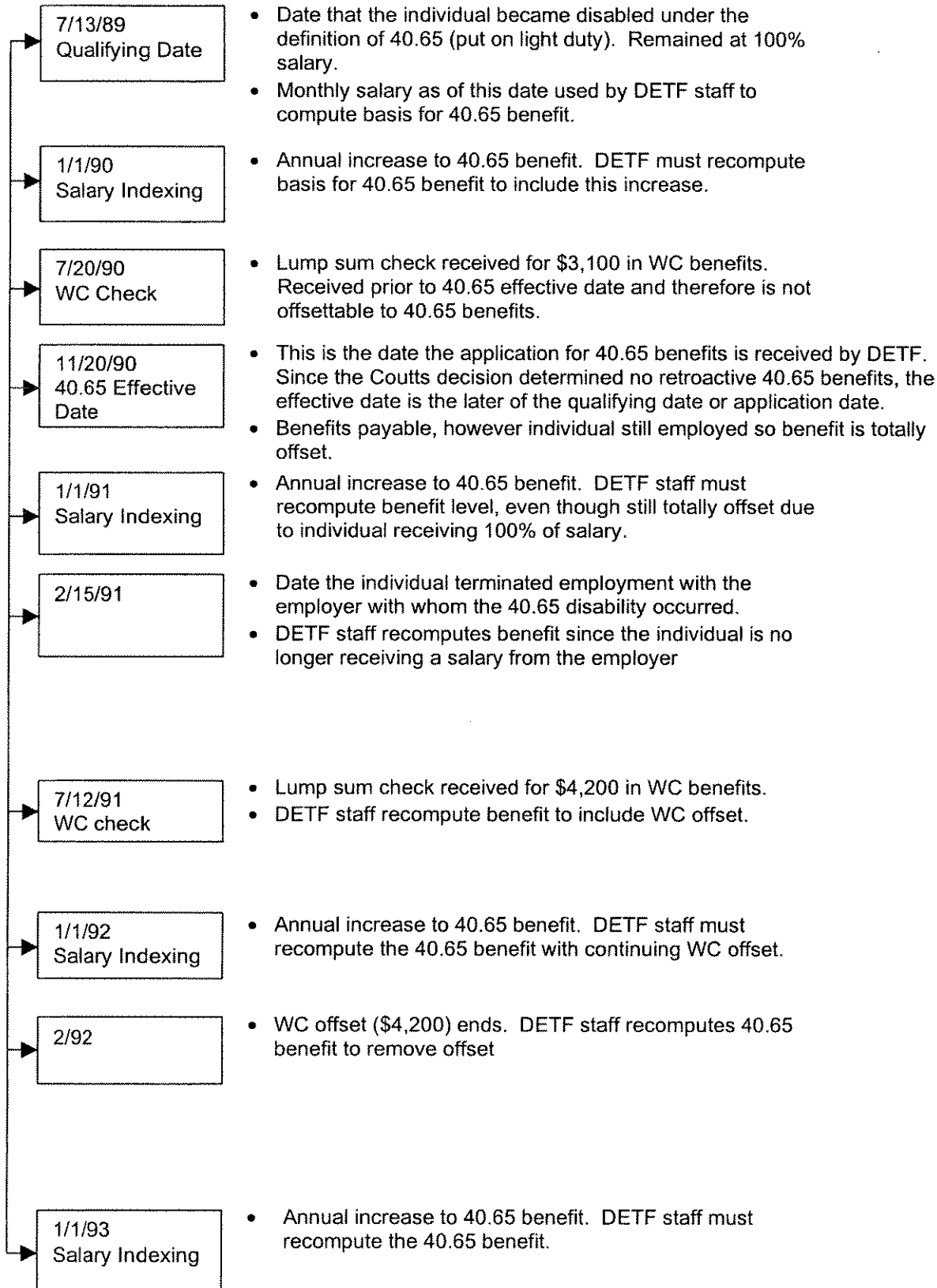
Please see page 2 for the detailed example of the impact of the Supreme Court's decision in Coutts.

Process for Determining Duty Disability Benefit Prior to Supreme Court Decision (using key facts from sample case)



* Annual increase each January 1 requires recomputation by DETF staff.

Process for Determining Duty Disability Benefit Applying Supreme Court Decision (using same case example)



* Annual increase each January 1 requires recomputation by DETF staff.